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DEPARTMENT FOR WHA/CAN

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SUBJECT: CAPTURING ASIAN CONTAINER TRAFFIC: INVESTORS PROMOTE NEW
GREENFIELD SUPER-PORT IN NOVA SCOTIA

REF: A. HALIFAX 000055; B. 06 VANCOUVER 1366 AND PREVIOUS

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11. Sensitive but unclassified. Protect Accordingly

12. (U) SUMMARY: A team of local Nova Scotia investors confirmed that they have the financial backing and the right partners to build a new world-class container handling facility in the Strait of Canso at Melford. With Asian trade volumes booming and lots of U.S. business interest in both the import and export potential of the project, the proponents are looking at a start-up date of 2010 for the new, 1.5 Million twenty-foot-equivalent unit (TEU) facility, a possibility which has Halifax officials worried about the impact on their port's competitive status. END SUMMARY

13. (U) On August 8, Consul General, FCS Senior Commercial Specialist, Pol/Econ Specialist, and CBP Port Director met with Paul Martin, President of Melford International Terminal Inc (MITI), and his colleague, MITI CEO Bob Stevens, to discuss their proposal to build a US\$300 million container facility in Melford, Nova Scotia. Melford is an industrial port 190 miles east of Halifax on the mainland of the Strait of Canso, which separates mainland Nova Scotia from the Island of Cape Breton. Martin and Stevens are also principals of Trident Holdings, Inc., a Halifax-registered merchant bank and lead investor in a group that includes several other Nova Scotia private entities. U.S. companies involved in the venture include terminal operator SSA Marine of Seattle, CenterPoint Properties of Chicago as the primary developer of an adjacent logistics park, and RailAmerica as the provider of a new rail spur line to the terminal. TransSystems of Kansas City, MO, is engaged in the planning and design of the terminal. (A map and a summary of the project are available on Canada's Economy and Environment Forum at: http://www.intelink.gov/communities/state/canada/archives/capturing_asian_container_traf.html)

13. (U) The MITI principals acknowledged that there were tremendous risks involved in building a greenfield container facility in a province that already has two underutilized container piers in the Port of Halifax (ref A). Nonetheless, Martin told the CG they are convinced that the tremendous upswing in Asian cargo through the Suez Canal to North American ports makes the project a viable proposition and, given the capacity crunch in west coast ports, there would be more than enough cargo for both Halifax and Melford. In fact, Martin and Stewart envision the Melford terminal to be a natural complement to the port of Halifax as opposed to a competitor.

14. (SBU) Martin noted that like Halifax, Melford has many geographic advantages such as a deep, ice-free harbor capable of

handling even ultra post-PANAMAX vessels (which can carry over 12,000 TEUs), plus the advantage of shorter steaming times from Europe and from Asia through the Suez canal than eastern U.S. ports. However, unlike Halifax and other new port developments in North America, Melford is a greenfield site. Rather than retrofitting or modernizing an existing port facility, the developers can take advantage of a surplus of vacant land to construct a state-of-the-art container facility capable of handling the largest container vessels and an adjacent logistics park that would provide distribution and warehouse facilities for importers. Yet another advantage is a skilled labor force, which Stevens believes would be inclined to accept a more competitive labor agreement than their counterparts at other North American ports.

15. (SBU) Disadvantages of the project include the absence of a rail line to serve the new port and no Canadian and U.S. customs inspection facilities. Nonetheless, Martin indicated that Rail America, which operates the short line railway that passes near Melford, was committed to expanding its line to link up with the port. Martin indicated that Canadian National Railways was also interested in the project. He described CN as having already put its "stake in the ground" by its proposal to build a customs clearance facility, which would go a long way in confirming the viability of the project

16. (SBU) So far the proponents have spent C\$5 million to complete their market assessment overview of the proposal (all without government help as Martin and Stevens were quick to point out). In terms of customers for the port, Martin said they are focusing on those carriers who do not have dedicated ports, and targeting those shippers who are looking for a variety of ports to ensure uninterrupted service. For example, according to Martin, Wal-Mart is looking for an additional five ports of entry in North America through which to bring in its merchandise. Other potential customers are located in the Atlantic region, Quebec and Ontario, New England, the Ohio Valley and the U.S. mid-west. Interestingly, Martin revealed that the governments of Ohio, Massachusetts, Maryland, Maine and

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Pennsylvania have expressed an interest in using Melford to export goods from their states.

17. (U) With the marketing overview already complete, the next step is the permitting phase (including environmental assessments) and detailed design work, followed by the actual marketing of the facility. Both Martin and Stevens are confident that they will have no regulatory problems in securing the go-ahead for their project and envision starting the construction phase in the first quarter of 2008 with a start-up date of late 2010. The likelihood that the project would move forward on schedule was increased when, on July 27, the local municipal government voted to expropriate three privately-owned properties to create an access corridor from the industrial park to the Strait of Canso.

18. (SBU) Comment: The Melford International Terminal project has been the talk of the shipping community in Halifax for the past few months. Our local industry contacts tell us that the MITI principals seem to have the potential customers lined up, a feat which they applaud given the highly competitive nature of the container business. However, despite MITI's vision of a complementary relationship with the port of Halifax, these executives view the new kid on the block as a definite competitor, especially since Halifax is struggling to keep the customers it already has. Whether the MITI idea of a complementary relationship with Halifax is feasible remains to be seen. Regardless, with their C\$5 million already invested and an impressive array of investors, partners and prospective customers, all indications are that the Melford project bears watching as Stevens and Martin implement a risky, but potentially lucrative development plan. END COMMENT
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